

Message Text

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PAGE 01 BOGOTA 01668 141916Z

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ACTION ARA-10

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SUBJ: COLOMBIAN-ROMANIAN MINERALS AGREEMENT

1. COLOMBIAN AND ROMANIA ENTERED INTO THREE SEPARATE MINERALS AGREEMENTS LAST WEEK. A JOINT PETROLEUM SERVICE COMPANY WILL BE FORMED BETWEEN ECOPETROL (THE STATE-OWNED COLOMBIAN OIL COMPANY), THE GOVERNMENT OF ROMANIA AND PRIVATE COLOMBIAN PARTICIPATION THROUGH MARKETED SHARES. THE COMPANY WILL COMPETE FOR OIL FIELD SERVICE BUSINESS. IN THE SECOND AGREEMENT, ROMANIA WILL JOIN ECOPETROL TO EXPLORE COKEABLE COAL RESERVES IN CENTRAL COLOMBIA. AFTER THE INITIAL RESERVE EXPLORATION IN WHICH ROMANIA AND COLOMBIA WILL PARTICIPATE JOINTLY, THE COAL PROJECT WILL BE OPENED TO INTERNATIONAL BIDDING WITH ROMANIA GIVEN THE OPTION TO MATCH THE MOST FAVORABLE PROPOSAL OR TO LEAVE WITH REIMBURSEMENT FOR EXPENSES. THE LAST AGREEMENT INVOLVES AN ECONOMIC FEASIBILITY STUDY OF THE TUMACO REFINERY. THE REFINERY, WHICH IS ALMOST SURELY NOT ECONOMICALLY FEASIBLE, WAS POSTPONED BY THE LOPEZ ADMINISTRATION PENDING THE FINDING OF MORE RESERVES IN THE PUTAMAYO AREA. THE STOPPAGE OF THE REFINERY CONSTRUCTION HAS BECOME A BIT OF A POLITICAL ISSUE WITH FORMER PRESIDENT PASTRANA, THE CREATOR OF THE ORIGINAL WHITE ELEPHANT, ASSURING TUMACO CITIZENS THAT THE

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PAGE 02 BOGOTA 01668 141916Z

REFINERY IS NOT ONLY WARRANTED, BUT NECESSARY. APPARENTLY THE

LOPEZ ADMINISTRATION BELIEVES THE FINDINGS OF A GOOD SOCIALIST TEAM OF ECONOMISTS MIGHT BE MORE PALATABLE. THE ROMANIANS WILL REVIEW TWO ECONOMIC STUDIES--ONE CONDUCTED BY ECOPETROL FINDING THE REFINERY NOT ECONOMICALLY FEASIBLE AND ONE CONDUCTED BY A TECHNICAL TEAM OF NARINO FINDINGSYV REFINERY FEASIBLE.

2. COMMENT. ECOPETROL OFFICIALS FEAR THAT THE ROMANIANS, BEING SOCIALISTS, WILL BASE THEIR STUDY CONCLUSIONS ON POLITICAL FACTORS. BUT THIS ADMINISTRATION DOES NOT WANT TO WASTE SCARCE RESOURCES ON A QUESTIONABLE PROJECT WHOSE POLITICAL RETURNS WILL GO TO OTHERS; THEREFORE, WE DOUBT THEY WOULD HAVE CONTRACTED FOR THE STUDY IF THEY THOUGHT THE STUDY WOULD FIND THE REFINERY FEASIBLE.

3. THE COLOMBIANS WERE VERY IMPRESSED WITH THE ROMANIAN MINES MINISTER BUJOR ALMASAN. WHILE THERE PROBABLY IS SOME POLITICAL MOTIVATION FOR THE ACCORD, IN GENERAL, THE AGREEMENTS ARE THE RESULT OF ROMANIANS' SALESMANSHIP AND THE EAGERNESS OF THE COLOMBIANS TO GET SOMETHING GOING IN THE MINERALS/ENERGY FIELDS.
VAKY

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